

# New Hampshire Department of Revenue Administration Governor and Council Breakfast

February 1, 2017



John T. Beardmore, Commissioner  
Lindsey M. Stepp, Assistant Commissioner

109 Pleasant Street, Concord, NH 03301

603-230-5000



# MISSION

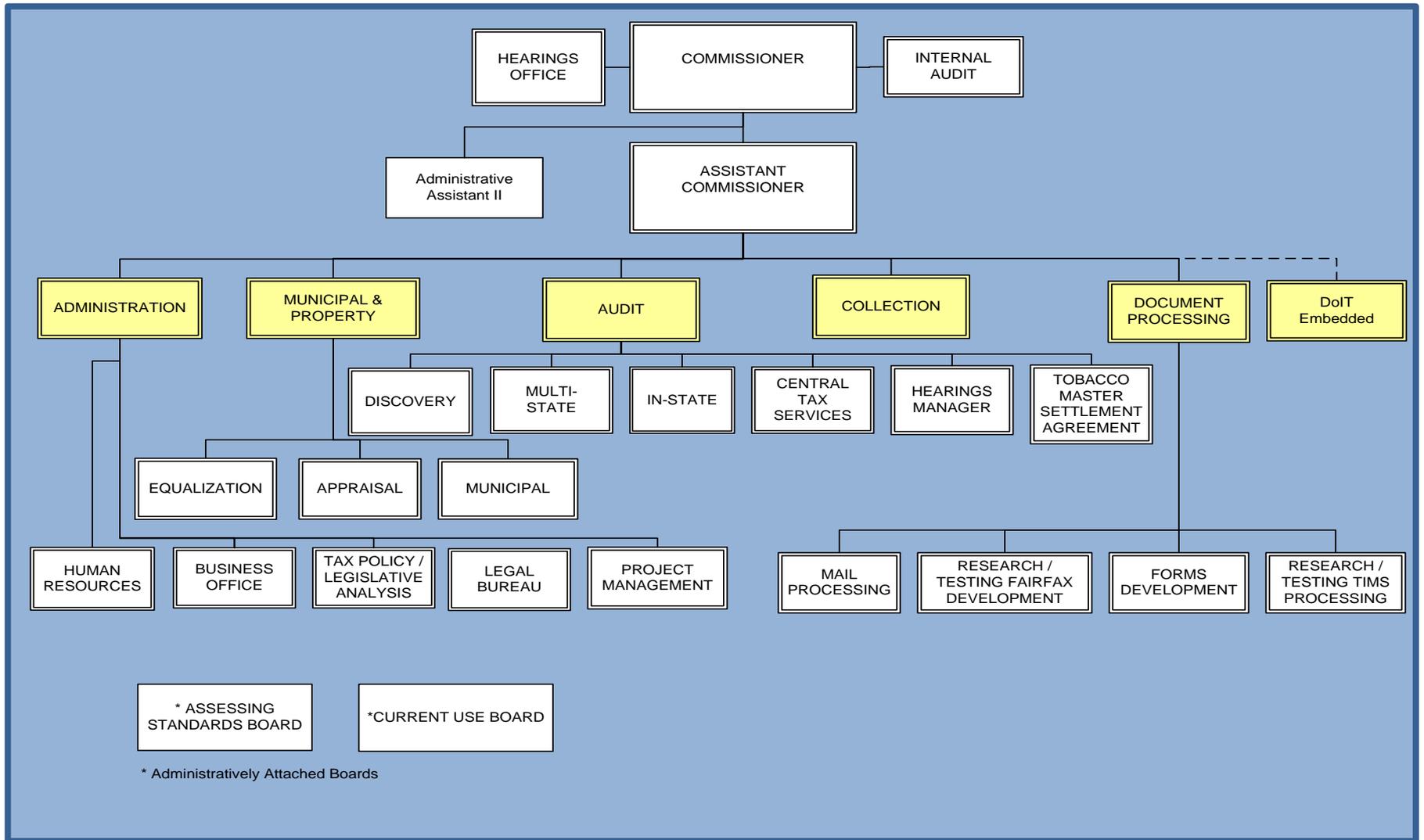
The mission of the Department of Revenue Administration is to fairly and efficiently administer the tax laws of the State of New Hampshire, collecting the proper amount of taxes due, incurring the least cost to the taxpayers, in a manner that merits the highest degree of public confidence in our integrity. Further, we will provide prompt and constructive assistance to the municipal units of government in matters of budget, finance, and the appraisal of real estate.



# TAXPAYER INTERACTION

It is the policy of the Department of Revenue Administration to administer the tax laws of the State in a manner that demonstrates efficiency, fairness, and courtesy towards every taxpayer.

# Department of Revenue Administration Organizational Chart – 9/30/2016



# G&C Items

- Contracts
  - Modernized e-File (MeF)
  - Axiomatic
  - Multi-State Tax Commission
  - Federation of Tax Administrators
  - Robert Half International
  - Debt Collection Agencies
  - First Data (via DoIT)
- Unclassified Hires
  - Above Minimum Step

# MeF Contracts

- Phase 1 (2015) – MeF for Interest and Dividends Tax returns
  - Contract with Revenue Solutions Incorporated (RSI) for \$165,000 from June 18, 2014 through June 30, 2016
- Phase 2 (2016) – Payments via MeF for Interest and Dividends Tax and Business Taxes
  - Contract with RSI for \$374,185 from October 7, 2015 through June 30, 2017 (Phases 2 – 4)
- Phase 3 (2017) – MeF for Business Tax returns for Corporations and Partnerships
  - Completed utilizing internal DoIT and DRA resources
- Phase 4 (2018) – MeF for Business Tax returns for Proprietorships and Fiduciaries
  - Will utilize internal DoIT and DRA resources

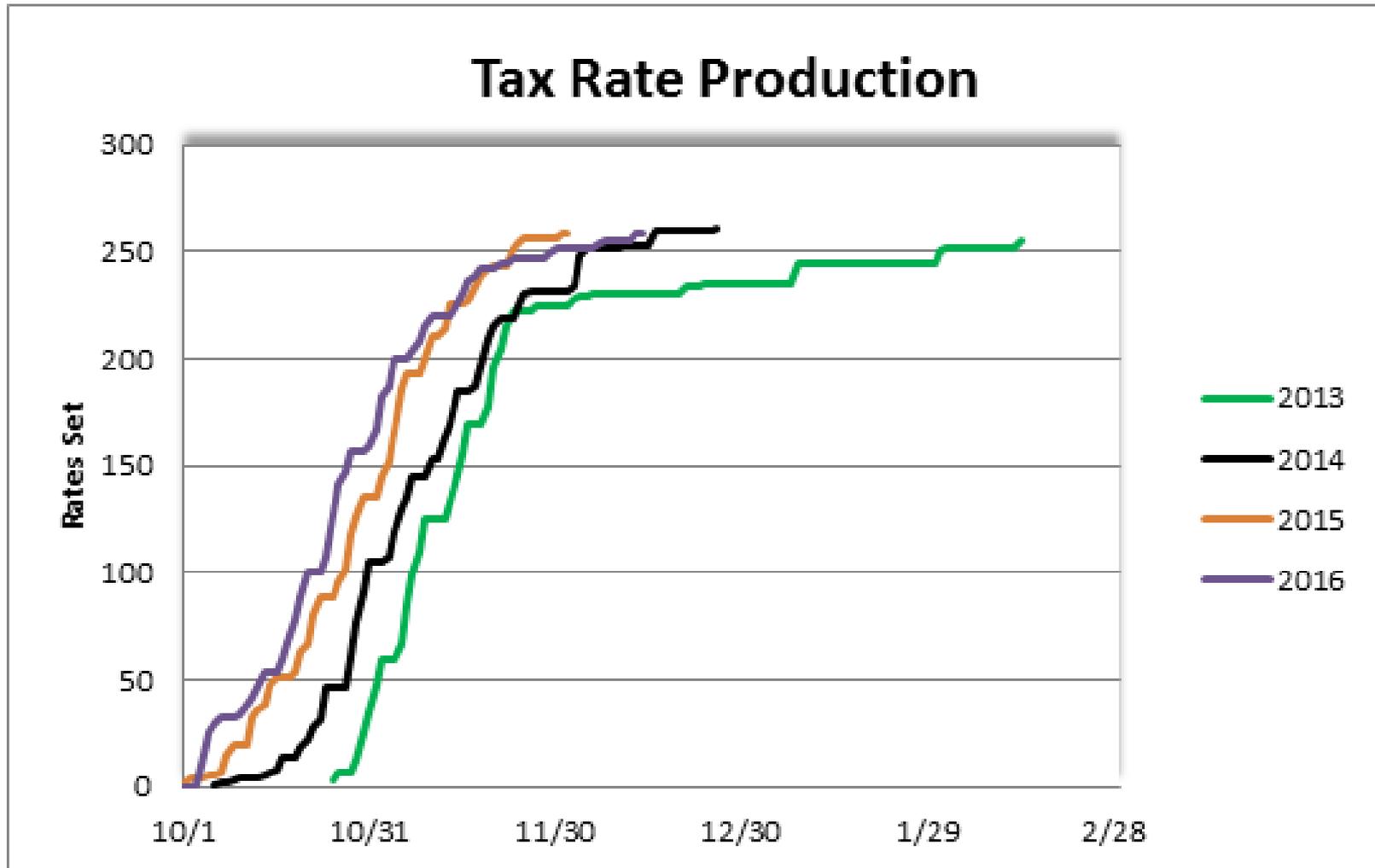
# MeF Implementation

For the Calendar Year	2016	2015	2014
MeF I&D Returns	33,422	23,827	
Paper I&D Returns	<u>23,713</u>	<u>31,553</u>	<u>51,721</u>
Total Returns	57,135	55,380	51,721
% Filed via MeF	58%	43%	
Payments received via MeF	2,293 payments totaling \$1.3m		

# UNH Technology Transfer Center (T<sup>2</sup>) and Axiomatic Contracts

- Phase 1 – Mosaic Parcel Map Design
  - Contract with T<sup>2</sup> for \$35,683 from November 23, 2009 through April 1, 2010
- Phase 2 – Mosaic Parcel Map and Equalization System
  - Contract with T<sup>2</sup> for \$823,452 from April 14, 2010 through October 2, 2012
- Phase 3 – Tax Rate Setting System
  - Contract with T<sup>2</sup> for \$369,869 from June 19, 2013 through March 18, 2015
  
- Maintenance of Mosaic Parcel Map and Equalization System
  - Contract with T<sup>2</sup> for \$958,460 from July 1, 2013 through June 30, 2015
- Maintenance of Municipal and Property Tax Management System
  - Contract with Axiomatic, LLC for \$815,159 from July 1, 2015 through December 31, 2016
- Maintenance of Municipal and Property Tax Management System
  - Contract with Axiomatic, LLC for \$750,000 from January 1, 2017 through December 31, 2018.

# Local Tax Rate Setting





# Taxes Administered by DRA ~ \$2.2B Revenue

<u>Tax Type</u>	<u>Tax Rate</u>	<u>Statute</u>
Business Enterprise Tax	0.72%*	RSA 77-E
Business Profits Tax	8.2%*	RSA 77-A
Communications Services Tax	7.0%	RSA 82-A
Electricity Consumption Tax	\$0.00055/kilowatt hour	RSA 83-E
Interest and Dividends Tax	5.0%	RSA 77
Meals and Rooms Tax	9.0%	RSA 78-A
Medicaid Enhancement Tax	5.45%*	RSA 84-A
NFQA/ICFQA	5.5%	RSA 84-C/84-D
Tobacco Tax	\$1.78 per pack/65.03% wholesale price	RSA 78
Taxation of Railroads	Average rate of taxation of other property	RSA 82
Utility Property Tax	\$6.60 per \$1,000 of utility property value	RSA 83-F
Excavation Tax	\$.02 per cubic yard (Local revenue)	RSA 72-B
Real Estate Transfer Tax	\$0.75 per \$100	RSA 78-B
Timber Tax	10% of stumpage value (Local revenue)	RSA 79
Property Tax (Includes SWEPT)	Varies (Local revenue)	RSA 76

## Taxes DRA Does Not Collect

<u>Tax Type</u>	<u>Statute</u>
Insurance Premium Tax	RSA 400-A
Beer Tax	RSA 178
Road Toll (Gas Tax)	RSA 260

\*BET rate reduced to .675% and BPT rate reduced to 7.9% for taxable periods ending on or after 12/31/18 (subject to certain revenue targets being met).

\*MET rate reduced to 5.4% for taxable period ending 6/30/17; and 5.4% for taxable periods ending 6/30/18 and beyond *unless* the total aggregate uncompensated care for hospitals with both a critical and noncritical designation falls below \$375,000,000, at which point the tax rate is reduced to 5.25%.

# Tax Revenue - Fiscal Year 2016 (Unaudited)

<u>Tax Type</u>	<u>Tax Revenue</u>
Business Enterprise Tax	\$272.3M
Business Profits Tax	\$427.0M
Subtotal Business Tax	<u>**\$699.3M</u>
Communications Services Tax	\$52.5M
Electricity Consumption Tax	\$5.9M
Interest and Dividends Tax	\$89.3M
Meals and Rooms Tax	\$301.3M
Medicaid Enhancement Tax	*\$212.5M
NFQA/ICFQA	*\$39.2M
Tobacco Tax	\$227.1M
Taxation of Railroads	*\$0.7M
Utility Property Tax	\$43.3M
Real Estate Transfer Tax	\$134.5M
State Wide Education Property Tax	\$363.6M
<b>TOTAL</b>	<b>\$2.2B</b>

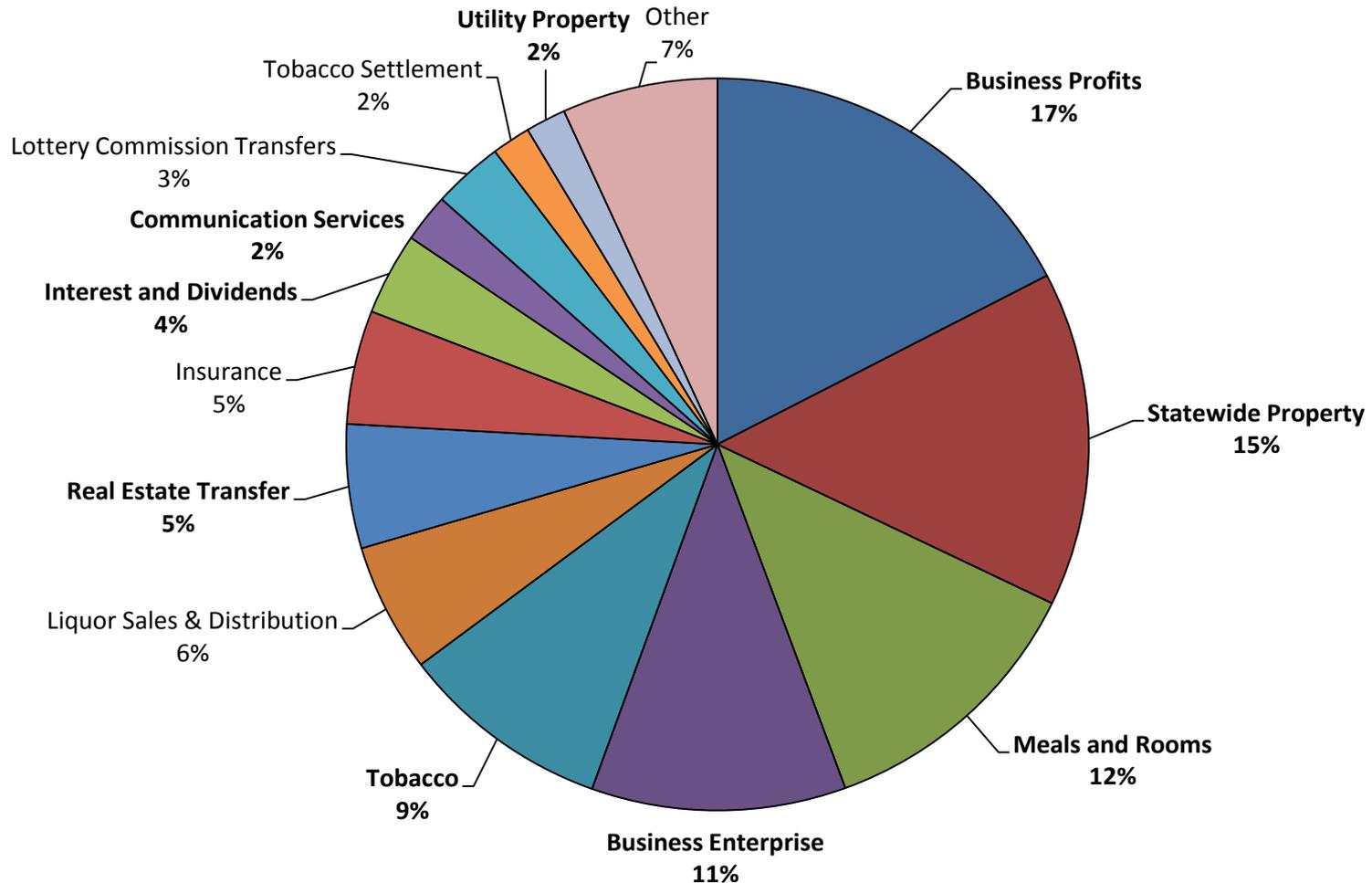
\*DRA FY 2016 Cash Basis

\*\*Includes \$15.36M from 2015-2016 Tax Amnesty Program

# Share of Unrestricted Revenues

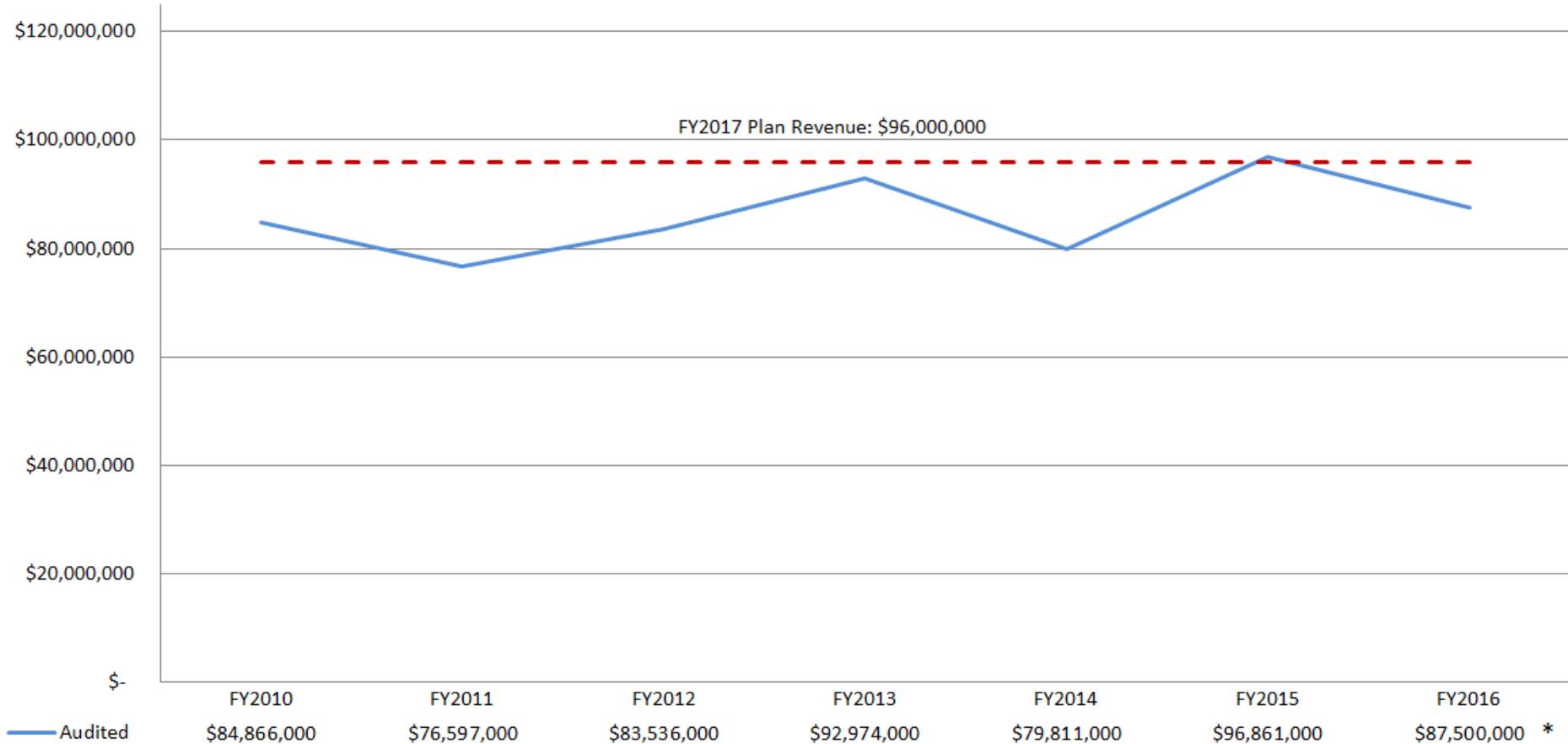
General and Education Funds – Source FY2016 (Unaudited)

*Note: DRA's statutory responsibilities represent nearly 80% of NH State General and Education Trust Fund Revenue (\$1.9B out of \$2.5B)*



# Interest and Dividends (I&D) Tax

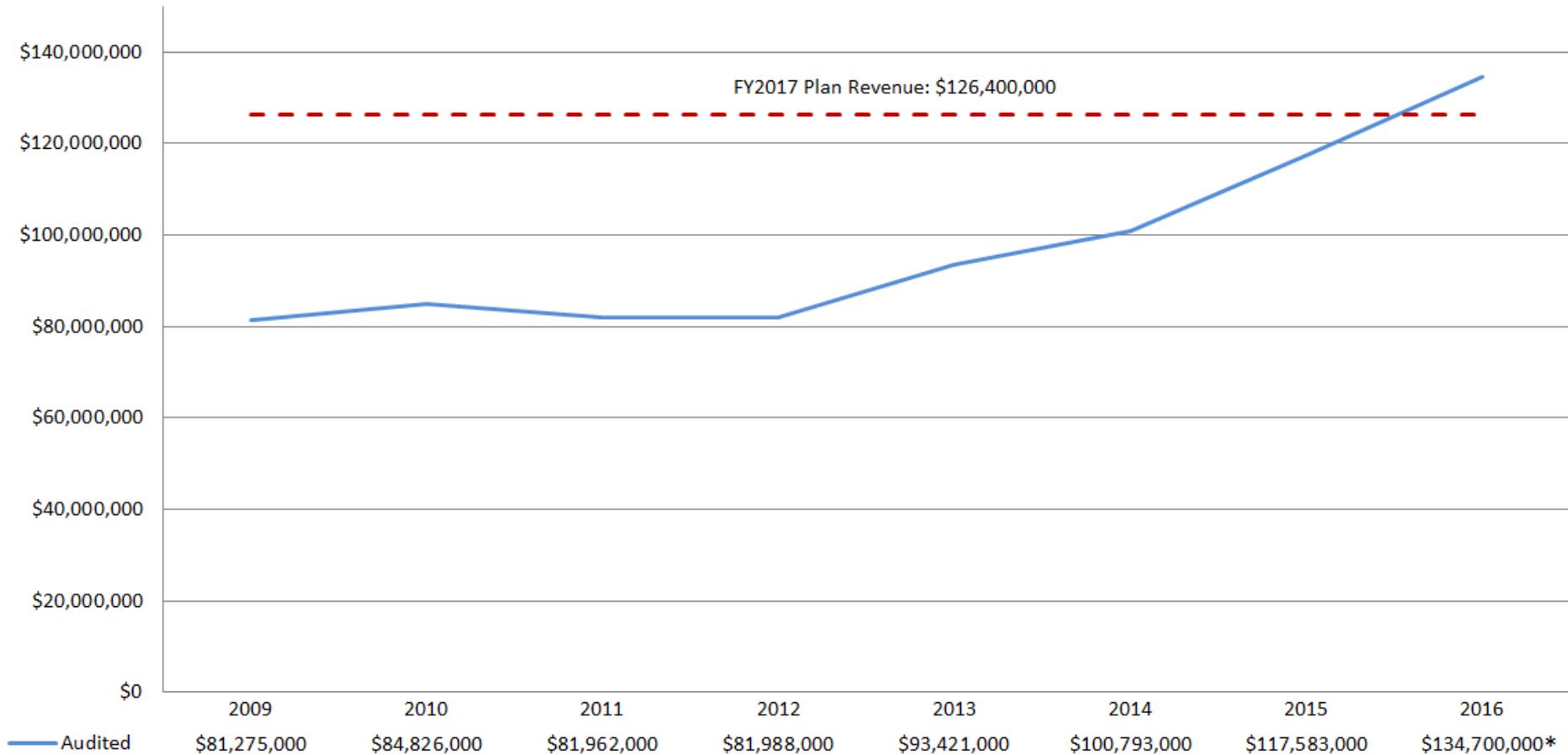
The I&D Tax is assessed at a rate of 5% on the interest and dividend income of individuals, partnerships, and fiduciaries.



\* FY2016 data is based on the DAS June 2016 Monthly Revenue Focus PRELIMINARY ACCRUAL-BASED revenues and is UNAUDITED and subject to change.

# Real Estate Transfer Tax (RETT)

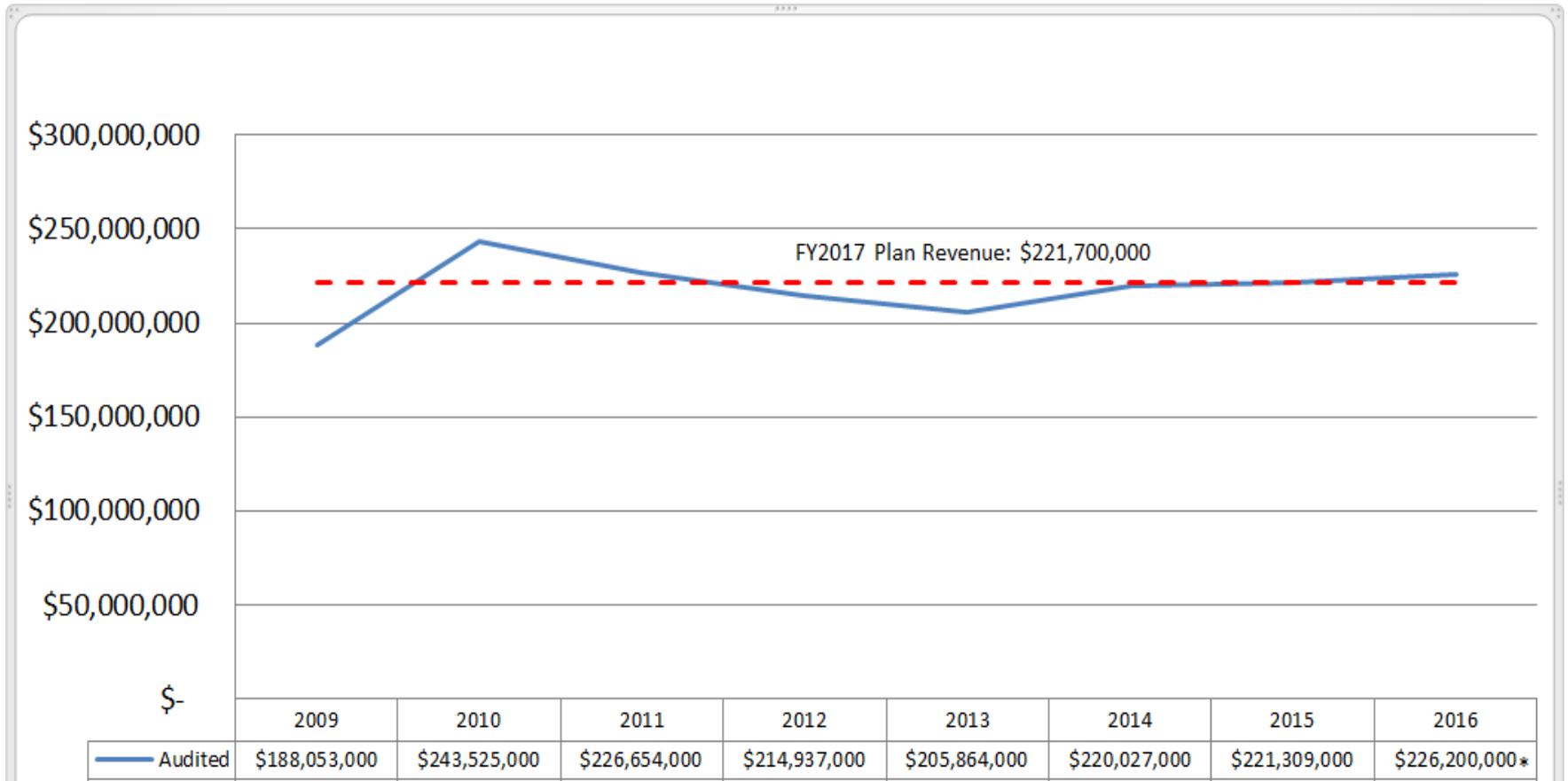
The RETT is a tax on the transfer, sale or granting of real property at a rate of \$1.50 per \$100 of the price or consideration for the transfer (\$.75 is the obligation of the purchaser and \$.75 is the obligation of the seller).



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# Tobacco Tax

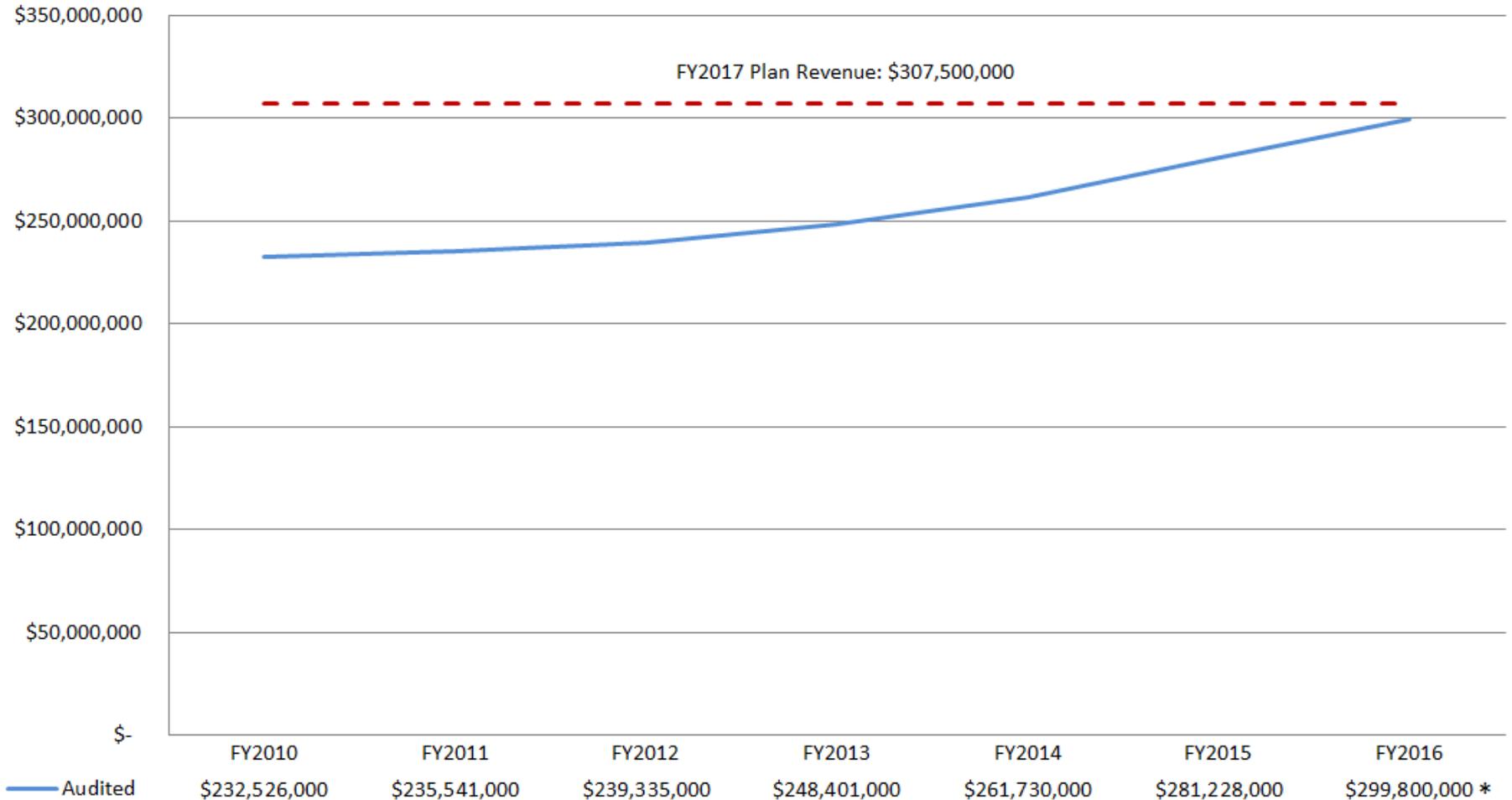
The Tobacco Tax is levied on each package of cigarettes at a rate of \$1.78 per pack of 20 cigarettes and \$2.23 per pack of 25 cigarettes. The Tobacco Tax is also levied on all Other Tobacco Products (OTP) at a rate of 65.03% of the wholesale sales price.



\*FY2016 Data is based on the DAS June 2016 Monthly Revenue Focus PRELIMINARY ACCRUAL – BASED revenues and is UNAUDITED and subject to change.

# Meals and Rentals (M&R) Tax

The M&R Tax is a 9% tax levied on consumers for the purchase of taxable meals, accommodation rentals, and motor vehicle rentals. The tax is collected by the Operator and remitted to the DRA monthly.



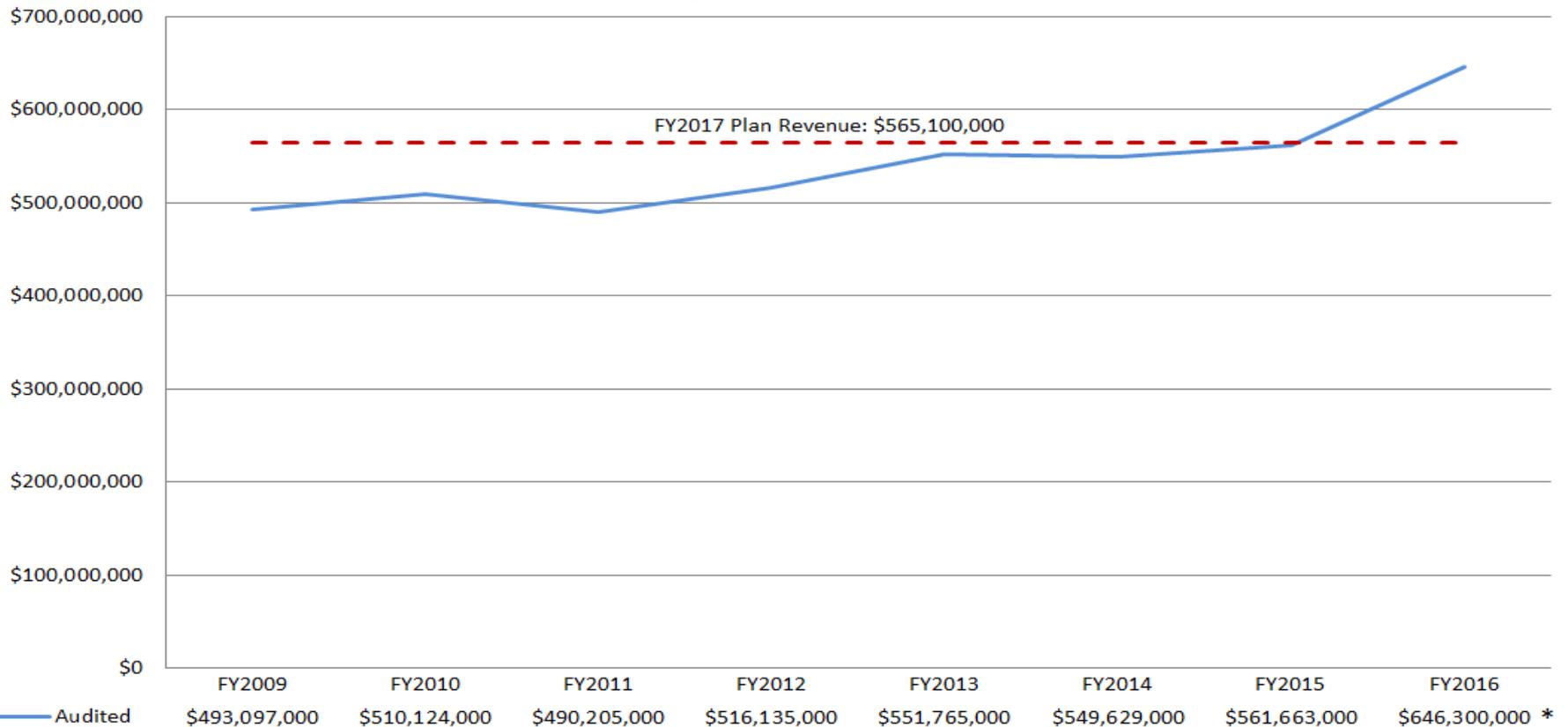
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# Business Taxes

Business Taxes are composed of the Business Enterprise Tax (BET) and the Business Profits Tax (BPT).

The BET is assessed on the sum of all compensation paid or accrued, interest paid or accrued, and dividends paid by the business. The BPT is assessed on income from the conduct of business activity within the state.

The BET and BPT rates were recently reduced: BPT from 8.5% to 8.2% and BET from .75% to .72% for taxable periods ending on or after December 31, 2016.



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